

CALIFORNIA DEPARTMENT OF FOOD AND AGRICULTURE

AUDIT OFFICE



48TH DISTRICT AGRICULTURAL ASSOCIATION  
SCHOOLS' AGRICULTURE AND NUTRITION PROGRAM  
WALNUT, CALIFORNIA

INDEPENDENT AUDITOR'S REPORT  
AND FINANCIAL STATEMENTS

AUDIT REPORT #09-046  
FOR THE YEARS ENDED  
DECEMBER 31, 2008 AND 2007

48TH DISTRICT AGRICULTURAL ASSOCIATION  
SCHOOLS' AGRICULTURE AND NUTRITION PROGRAM  
WALNUT, CALIFORNIA

INDEPENDENT AUDITOR'S REPORT  
AND FINANCIAL STATEMENTS

FOR THE YEARS ENDED  
DECEMBER 31, 2008 AND 2007

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AUDIT STAFF

Ron Shackelford, CPA  
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Audit Chief  
Assistant Audit Chief  
Auditor

AUDIT REPORT NUMBER

#09-046

48TH DISTRICT AGRICULTURAL ASSOCIATION  
SCHOOLS' AGRICULTURE AND NUTRITION PROGRAM  
WALNUT, CALIFORNIA

TABLE OF CONTENTS

	<u>PAGE</u>
Independent Auditor's Report.....	1
Financial Statements.....	3
Notes to the Financial Statements .....	6
Report Distribution .....	12



CALIFORNIA DEPARTMENT OF  
FOOD & AGRICULTURE

A. G. Kawamura, Secretary

Joanne Montgomery, President  
Board of Directors  
48th DAA, Schools' Agriculture and Nutrition Program  
P.O. Box 707  
Walnut, California 91788-0707

### INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying statements of financial condition of the 48th District Agricultural Association (DAA), Schools' Agriculture and Nutrition Program, Walnut, California, as of December 31, 2008 and 2007, and the related statements of operations and changes in accountability, and cash flows-regulatory basis for the years then ended. These financial statements are the responsibility of the 48th DAA's management. Our responsibility is to express an opinion on these financial statements based on our audits.

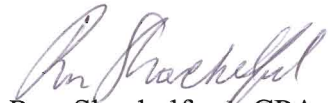
We have conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the 48th DAA, Schools' Agriculture and Nutrition Program, as of December 31, 2008 and 2007, and the results of its operations and changes in accountability, and cash flows-regulatory basis for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

The 48th DAA, Schools' Agriculture and Nutrition Program, has not presented the Management's Discussion and Analysis, which the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.



Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The Management Report #09-046, on the 48th DAA's compliance with State laws and regulations and system of internal accounting control, is issued solely for the purpose of additional analysis and should be addressed by the 48th DAA as appropriate. This additional report, however, is not a required part of the basic financial statements.



Ron Shackelford, CPA  
Chief, Audit Office

August 13, 2009

**48TH DISTRICT AGRICULTURAL ASSOCIATION  
SCHOOLS' AGRICULTURE AND NUTRITION PROGRAM  
WALNUT, CALIFORNIA**

**STATEMENTS OF FINANCIAL CONDITION  
December 31, 2008 and 2007**

	<u>Account Number</u>	<u>2008</u>	<u>2007</u>
<b>ASSETS</b>			
Cash and Cash Equivalents	111-115	\$ 3,248,222	\$ 3,288,639
Accounts Receivable, Net	131	23,943	42,259
Deferred Charges	143	16,170	16,369
Leasehold Improvements, Net	194	387,554	403,702
<b>TOTAL ASSETS</b>		<u><u>3,675,889</u></u>	<u><u>3,750,969</u></u>
<b>LIABILITIES AND NET RESOURCES</b>			
<b>Liabilities</b>			
Accounts Payable & Other Liabilities	212-227	5,744	8,056
Deferred Income	228	19,725	15,836
Compensated Absences	245	14,196	12,262
<b>Total Liabilities</b>		<u><u>39,665</u></u>	<u><u>36,154</u></u>
<b>Net Resources</b>			
Net Resources - Operations	291	237,520	303,474
Net Resources - Capital Assets	291.1	427,219	439,856
Restricted Resources	293	2,971,485	2,971,485
<b>Total Net Resources Available</b>		<u><u>3,636,224</u></u>	<u><u>3,714,815</u></u>
<b>TOTAL LIABILITIES AND NET RESOURCES</b>		<u><u>\$ 3,675,889</u></u>	<u><u>\$ 3,750,969</u></u>

**48TH DISTRICT AGRICULTURAL ASSOCIATION  
SCHOOLS' AGRICULTURE AND NUTRITION PROGRAM  
WALNUT, CALIFORNIA**

**STATEMENTS OF OPERATIONS/CHANGES IN ACCOUNTABILITY  
December 31, 2008 and 2007**

<b>REVENUE</b>	<b>Account Number</b>	<b>2008</b>	<b>2007</b>
State Apportionments	312	\$ 150,000	\$ 150,000
Project Reimbursement	340	31,111	43,703
Prior Year Adjustments - Revenue	490	206	4,779
Other Operating Revenue	495	110,480	174,537
<b>Total Revenue</b>		<b>291,797</b>	<b>373,020</b>
<b>EXPENSES</b>			
Administration	500	234,606	216,276
Maintenance and Operations	520/530	12,560	8,455
Publicity	540	600	600
Miscellaneous Fair	570	2,563	14,735
Premiums	580	24,264	30,367
Exhibits	630	41,316	25,055
Attractions - Fairtime	660	9,755	9,625
Prior Year Adjustments - Expenses	800	(2,534)	9,296
Depreciation Expense	900	16,148	16,148
Other Operating Expenditures	945	31,111	43,703
<b>Total Expenses</b>		<b>370,388</b>	<b>374,259</b>
<b>RESOURCES</b>			
Net Change - Income / (Loss)		(78,591)	(1,240)
Unrestricted Resources Available, January 1		743,330	744,570
Restricted Resources, January 1		2,971,485	2,971,485
<b>Resources Available, December 31</b>		<b>\$ 3,636,224</b>	<b>\$ 3,714,815</b>

**48TH DISTRICT AGRICULTURAL ASSOCIATION  
SCHOOLS' AGRICULTURE AND NUTRITION PROGRAM  
WALNUT, CALIFORNIA**

**STATEMENTS OF CASH FLOWS - REGULATORY BASIS  
December 31, 2008 and 2007**

	<u><b>2008</b></u>	<u><b>2007</b></u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Excess of Revenue Over Expenses (Expenses Over Revenue)	\$ (78,591)	\$ (1,240)
Adjustment to Reconcile Excess of Revenue Over Expenses to Net Cash Provided by Operating Activities:		
(Increase) Decrease in Accounts Receivable	18,315	6,360
(Increase) Decrease in Deferred Charges	200	(10,884)
Increase (Decrease) in Deferred Income	3,889	(30,322)
Increase (Decrease) in Accounts Payable & Other Liabilities	(2,312)	4,656
Increase (Decrease) in Compensated Absence Liability	1,933	5,981
Total Adjustments	<u>22,026</u>	<u>(24,209)</u>
<b>Net Cash Provided (Used) by Operating Activities</b>	<u><b>(56,565)</b></u>	<u><b>(25,449)</b></u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
(Increase) Decrease in Equipment	-	-
(Increase) Decrease In Leasehold Improvements	<u>16,148</u>	<u>16,148</u>
<b>Net Cash Provided (Used) by Investing Activities</b>	<u><b>16,147</b></u>	<u><b>16,147</b></u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Increase (Decrease) in Long-Term Liability	<u>-</u>	<u>-</u>
<b>Net Cash Provided (Used) by Financing Activities</b>	<u><b>-</b></u>	<u><b>-</b></u>
<b>NET INCREASE (DECREASE) IN CASH</b>	<b>(40,417)</b>	<b>(9,301)</b>
Cash at Beginning of Year	3,288,639	3,297,940
<b>CASH - END OF YEAR</b>	<u><u><b>\$ 3,248,222</b></u></u>	<u><u><b>\$ 3,288,639</b></u></u>



**48TH DISTRICT AGRICULTURAL ASSOCIATION  
SCHOOLS' AGRICULTURE AND NUTRITION PROGRAM  
WALNUT, CALIFORNIA**

**NOTES TO THE FINANCIAL STATEMENTS**

December 31, 2008 and 2007

**NOTE 1      SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Organization - The 48th District Agricultural Association (DAA) was converted from a traditional fair in 1989 to a hands-on year round educational curriculum on agricultural programs. In April or May of each year, the Schools' Agriculture and Nutrition Fair is held at the Pomona Fairplex in Pomona, California. Displays and exhibits are researched, designed and built by youth in grades pre-K-12. Every Fair display and exhibit has an agricultural theme. The State of California, Department of Food and Agriculture, through the Division of Fairs and Expositions provides oversight responsibilities to the DAA. The DAA is subject to the policies, procedures, and regulations set forth in the California Government Code, California Business and Professions Code, Public Contracts Code, Food and Agricultural Code, State Administrative Manual, and the Accounting Procedures Manual established by the Division of Fairs and Expositions.

The State of California allocates funds annually to the DAA's to support operations and acquire fixed assets. However, the level of State funding varies from year to year based on budgetary constraints. The Division of Fairs and Expositions determines the amount of the allocations.

Basis of Accounting - The accounting policies applied to and procedures used by the DAA conform to accounting principles applicable to District Agricultural Associations as prescribed by the State Administrative Manual and the Accounting Procedures Manual. The DAA's activities are accounted for as an enterprise fund. The Governmental Accounting Standards Board (GASB) defines an enterprise fund as a fund related to an organization financed and operated in a manner similar to a private business enterprise where the intent is to recover the costs of providing goods or services to the general public primarily through user charges. Pursuant to GASB Statement No. 20, Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Account, the DAA has elected to apply the provisions of all relevant pronouncements of the Financial Accounting Standards Board (FASB), including those issued after November 30, 1989, that do no conflict with or contradict GASB pronouncements.

The DAA's financial activities are accounted for using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP) as promulgated by the Governmental Accounting Standards Board. Thus, revenues are reported in the year earned rather than collected, and expenses are reported in the year incurred rather than paid.

Use of Estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Income Taxes – The DAA is a state agency and therefore, is exempt from paying taxes on its income.

Cash and Cash Equivalents - The DAA's cash and cash equivalents are separately held in various local banks. The Financial Accounting Standards Board defines cash equivalents as short-term, highly liquid investments that are both: (1) readily convertible to known amounts of cash; and (2) so near their maturity that they present insignificant risk of changes in value because of changes in interest rates. The cost of all cash equivalents of the DAA approximates market value.

The California State Treasury makes available the Local Agency Investment Fund (LAIF) through which local governments may pool investments. Each governmental entity may invest up to \$40,000,000 in the fund. Investments in the LAIF are highly liquid, as deposits can be converted to cash within 24 hours without loss of interest.

In accordance with the Accounting Procedures Manual, the DAA is authorized to deposit funds in certificates of deposit and interest bearing accounts. However, Government Code Sections 16521 and 16611 require the bank or savings and loan association to deposit, with the State Treasurer, securities valued at 110 percent of the uninsured portion of the funds deposited with the financial institution. Government Code Sections 16520 and 16610 provide that security need not be required for that portion of any deposit insured under any law of the United States, such as FDIC and FSLIC.

Property and Equipment - Construction-in-progress, land, buildings and improvements, and equipment are acquired with operating funds and funds allocated by the State. Any acquired assets, if greater than \$5,000 and a useful life of one or more years, are recorded at cost less accumulated depreciation. Depreciation is computed using the straight-line method over the estimated useful lives of the asset. Buildings and improvements are depreciated over 30 years, and purchases of equipment are depreciated over five years. Costs of repair and maintenance are expensed as incurred by the DAA. Furthermore,

donated building improvements, and equipment are recorded at their fair market value at the date of the gift. This recorded basis is depreciated over the useful lives identified above. The costs of projects that have not been placed in service are recorded in Account #190, Construction-in-Progress and no depreciation is recorded on Construction-in-Progress until the project is completed and the asset is placed in service.

Compensated Absences - Pursuant to Statement No. 16 of the Governmental Accounting Standards Board, State and local governmental entities are required to report the liability for compensated absences. Compensated absences are absences for which permanent employees will be paid, such as vacation, personal leave, and compensatory time off. The compensated absences liability is calculated based on the pay rates in effect at the balance sheet date.

## NOTE 2      **NEW ACCOUNTING STANDARDS**

In July 2004, the GASB issued Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, (“GASB Statement No. 45”). This statement establishes standards for the measurement, recognition, and display of postretirement benefits other than pensions expense/expenditures and related liabilities (assets), note disclosures, and, if applicable, required supplementary information in the financial reports of state and local governmental employers. The statement becomes effective for the District for periods beginning after December 15, 2007. Management has not determined the effect of GASB Statement No. 45 on the combined financial statements.

In September 2006, the GASB issued Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Receivables and Future Revenues*, (“GASB Statement No. 48”). GASB Statement No. 48 establishes criteria that governments will use to ascertain whether the proceeds received should be reported as revenue or as a liability. The criteria should be used to determine the extent to which a transferor government either retains or relinquishes control over the receivables or future revenues through its continuing involvement with those receivables or future revenues. This Statement establishes that a transaction will be reported as a collateralized borrowing unless the criteria indicating that a sale has taken place are met. If it is determined that a transaction involving receivables should be reported as a sale, the difference between the carrying value of the receivables and the proceeds should be recognized in the period of the sale in the change statements. If it is determined that a transaction involving future revenues should not be reported as a sale, the revenue should be deferred and amortized, except when specific criteria are met. This Statement also provides additional guidance for sales of receivables and future revenues within the same financial reporting entity. This statement is effective for periods beginning after

December 15, 2006. Adoption of this statement did not have a material impact on the combined financial statements.

In November 2006, the GASB issued Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, (“GASB Statement No. 49”). GASB Statement No. 49 requires governmental entities to report pollution remediation costs in their financial statements. It identifies five obligating events under which the government should estimate the expected obligations for pollution remediation. Under the standard, liabilities and expenses will be estimated using an “expected cash flows” measurement technique, which will be employed for the first time by governments. Further, the standard requires that governments disclose information about their pollution remediation obligations associated with clean-up efforts in the notes to the financial statements. GASB Statement No. 49 will be effective for financial statements with periods beginning December 15, 2007, but liabilities should be measured at the beginning of that period so that beginning net assets can be restated. Management has not determined the effect of GASB Statement No. 49 on the combined financial statements.

In May 2007, the GASB issued Statement No. 50, *Pension Disclosures*, (GASB Statement No. 50”). GASB Statement No. 50 more closely aligns the financial reporting requirements for pensions with those for other postemployment benefits (“OPEB”) and, in doing so, enhances information disclosed in notes to financial statements or presented as required supplementary information (“RSI”) by pension plans and by employers that provide pension benefits. The reporting changes required by this Statement amend applicable note disclosure and RSI requirements of GASB Statements No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, (“GASB Statement No. 25”), and No. 27, *Accounting for Pensions by State and Local Governmental Employers*, (“GASB Statement No. 27”) to conform with requirements of Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, (“GASB Statement No. 43”) and No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, (“GASB Statement No. 45”). GASB Statement No. 50 will be effective for financial statements with periods beginning after June 15, 2007. Management has not determined the effect of GASB Statement No. 50 on the combined financial statements.

In July 2007, the GASB issued Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, (“GASB Statement No. 51”). GASB Statement No. 51 requires that intangible assets be classified as capital assets (except for those explicitly excluded from the scope of the new standard, such as capital leases). GASB Statement No. 51 will be effective for financial statements with periods beginning after June 15, 2009. Management has not determined the effect of GASB Statement No. 51 on the combined financial statements.

NOTE 3 **CASH AND CASH EQUIVALENTS**

The following list of cash and cash equivalents were held by the DAA as of December 31:

	<u>2008</u>	<u>2007</u>
Petty Cash	\$ 200	\$ 200
Cash in Bank - Operating	15,799	21,869
Cash in Bank - Premium	6,612	5,343
Cash in Bank - Investment & Savings	<u>3,225,611</u>	<u>3,261,227</u>
Total Cash and Cash Equivalents	<u>\$ 3,248,222</u>	<u>\$ 3,288,639</u>

NOTE 4 **ACCOUNTS RECEIVABLE**

The DAA is required to record an allowance for doubtful accounts based on estimates of collectability.

	<u>2008</u>	<u>2007</u>
Accounts Receivable	\$ 24,497	\$ 42,259
Allowance for Doubtful Accounts	<u>(554)</u>	<u>-</u>
Accounts Receivable - Net	<u>\$ 23,943</u>	<u>\$ 41,473</u>

NOTE 5 **PROPERTY AND EQUIPMENT**

Leasehold improvements, and equipment at December 31, 2008 and 2007 consist of the following:

	<u>2008</u>	<u>2007</u>
Leasehold Improvements	\$ 484,442	\$ 484,442
Less: Accumulated Depreciation	<u>(96,888)</u>	<u>(80,740)</u>
Building & Improvements - Net	<u>\$ 387,554</u>	<u>\$ 403,702</u>
Equipment	\$ 18,698	\$ 18,698
Less: Accumulated Depreciation	<u>(18,698)</u>	<u>(18,698)</u>
Equipment - Net	<u>\$ -</u>	<u>\$ -</u>

NOTE 6

**RETIREMENT PLAN**

Permanent employees of the DAA are members of the Public Employees' Retirement System (PERS), which is a defined benefit contributory retirement plan. The retirement contributions made by the DAA and its employees are actuarially determined. Contributions plus earnings of the Retirement System will provide the necessary funds to pay retirement costs when accrued. The DAA's share of retirement contributions is included in the cost of administration. For further information, please refer to the annual single audit of the State of California.

Retirement benefits fully vest after five years of credited service for Tier I employees. Retirement benefits fully vest after ten years of credited service for Tier II employees. Upon separation from State employment, members' accumulated contributions are refundable with interest credited through the date of separation. The DAA, however, does not accrue the liability associated with vested benefits.

The Alternate Retirement Program (ARP) is a retirement savings program that certain employees hired on or after August 11, 2004 are automatically enrolled in for their first two years of employment with the State of California. ARP is administered by the Savings Plus Program with the Department of Personnel Administration and invests funds in a fixed-income fund. ARP provides two years of retirement savings (five percent of paycheck amount each month) in lieu of two years of service credit. At the end of the two-year period, the deductions are placed in CalPERS and the retirement service credit begins.

Temporary, 119-day, employees of the DAA participate in the Part-Time, Seasonal, Temporary (PST) Retirement Plan. The PST Retirement Plan is a mandatory deferred compensation plan under which 7.5% of the employee's gross salary is deducted before taxes are calculated. These pre-tax dollars are placed in a guaranteed savings program. The employee has the option of leaving these funds on deposit upon separation, or requesting a refund.

NOTE 7

**RECLASSIFICATION**

Certain prior-year balances have been reclassified to conform to current year presentation. This reclassification did not have an effect on net income.

**48TH DISTRICT AGRICULTURAL ASSOCIATION  
SCHOOLS' AGRICULTURE AND NUTRITION PROGRAM  
WALNUT, CALIFORNIA**

**REPORT DISTRIBUTION**

<u>Number</u>	<u>Recipient</u>
1	President, 48th DAA Board of Directors
1	Chief Executive Officer, 48th DAA
1	Director, Division of Fairs and Expositions
1	Chief Counsel, CDFA Legal Office
1	Chief, CDFA Audit Office

CALIFORNIA DEPARTMENT OF FOOD AND AGRICULTURE

AUDIT OFFICE



48TH DISTRICT AGRICULTURAL ASSOCIATION  
SCHOOLS' AGRICULTURE AND NUTRITION PROGRAM  
WALNUT, CALIFORNIA

MANAGEMENT REPORT #09-046

YEAR ENDED DECEMBER 31, 2008



48TH DISTRICT AGRICULTURAL ASSOCIATION  
SCHOOLS' AGRICULTURE AND NUTRITION PROGRAM  
WALNUT, CALIFORNIA

MANAGEMENT REPORT  
YEAR ENDED DECEMBER 31, 2008

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AUDIT STAFF

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Ron Shackelford, CPA  
Shakil Anwar, CPA  
Hardeep Kaur

Audit Chief  
Assistant Audit Chief  
Auditor

MANAGEMENT REPORT NUMBER  
#09-046

**TABLE OF CONTENTS**

	<u>PAGE</u>
MANAGEMENT LETTER.....	1
REPORTABLE CONDITIONS.....	3
Delegated and Opportunity Purchasing .....	3
Employee Time Records .....	3
DISTRICT AGRICULTURAL ASSOCIATION’S RESPONSE .....	4
CDFA EVALUATION OF RESPONSE .....	7
DISPOSITION OF AUDIT RESULTS .....	8
REPORT DISTRIBUTION .....	9



CALIFORNIA DEPARTMENT OF  
FOOD & AGRICULTURE

A. G. Kawamura, Secretary

Ms. Joanne Montgomery, President  
Board of Directors  
48th DAA, Schools' Agriculture and Nutrition Program  
88 Fair Drive  
Walnut, California 92626

In planning and performing our audit of the financial statements of the 48th District Agricultural Association (DAA), Schools' Agriculture and Nutrition Program, Walnut, California, for the year ended December 31, 2008, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure. However, we noted certain matters involving the internal control structure and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the organization's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

In addition, this Management Report includes: (1) matters other than those related to the internal control structure which came to our attention that could, in our judgment, either individually or in the aggregate, have a significant effect on the entity's financial reporting process (e.g., accounting errors, significant audit adjustments, etc.), and (2) areas of non-compliance by the Schools' Agriculture and Nutrition Program with respect to State laws and regulations, with the Accounting Procedures Manual, and with established policies and procedures.

In accordance with Government Code Section 13402, Fair managers and Board of Directors are responsible for the establishment and maintenance of a system or systems of internal accounting and administrative control within their agencies. This responsibility includes documenting the system, communicating system requirements to employees, and assuring that the system is functioning as prescribed and is modified, as appropriate, for changes in conditions.

Due to the small size of the 48th DAA's office staff, it is not practical to have the degree of segregation of duties possible in a larger organization. Therefore, the Board of Directors must consider this when determining the extent that the Board becomes involved in operations to adequately safeguard the 48th DAA's assets. The system of internal control



should provide the Board of Directors and management reasonable, but not absolute, assurance that: (1) only authorized transactions are executed; (2) transactions are properly recorded in the accounting records; and (3) material errors and irregularities that may occur, will be detected by the 48th DAA in a timely manner during the normal course of operations. In this regard, it is particularly important that the Board review and approve significant transactions and critically review monthly financial information. The 48th DAA's minimum staffing was one factor considered in determining the nature, timing, and extent of the tests to be performed on the 48th DAA's accounting procedures, records, and substantiating documents.

During our audit of the internal control structure of the 48th DAA and compliance with state laws and regulations, we identified two areas with reportable conditions that are considered weaknesses in the Fair's operations: delegated and opportunity purchasing, and employee time records. We have provided three recommendations to improve the operations of the Fair. The Fair must respond in writing on how these recommendations will be implemented.

## REPORTABLE CONDITIONS

### DELEGATED AND OPPORTUNITY PURCHASING

The Fair did not have a delegated purchase authority from January 2008 to October 2008, yet made purchases in excess of \$100. Per the Purchasing Authority Manual (PAM), Section 1.1.7 and Public Contract Code, Section 10308, purchases over \$100 for non-information technology and purchases of technology goods of any amount may not be made without the proper delegated authority. This was a prior year audit finding.

Additionally, the Fair did not prepare the Standard 65 Purchase Order form for all expenditures greater than \$100 as required by Department of General Services (DGS) purchasing guidelines. The Fair did not track its purchases or maintain a log as detailed by the APM, Section 3, Chapter 2.11 and 2.12. This was a prior year audit finding.

#### *Recommendations*

- 1. The Fair should ensure it takes the necessary steps to annually renew and obtain a delegated purchase authority from the Department of General Services. Without an approved delegated purchase authority, the Fair is restricted to making purchases less than \$100.*
- 2. As the Fair reapplies for delegated purchase authority, the Fair must establish a system that meets DGS requirements for proper internal controls over purchasing. Per DGS guidelines as outlined by the APM, the Fair should track its purchases on a detailed log and prepare Standard 65 purchase orders for all purchases greater than \$100.*

### EMPLOYEE TIME RECORDS

A manager of the Fair did not complete the Standard Form 634 (STD 634), Absence and Additional Time Worked Report, to report time worked and off for the year 2008. When copies of the manager's 2008 STD 634's were requested, the Fair provided the 2008 calendar of the manager instead. The Fair tracked hours of vacation used by the manager on the calendar; however, our office could not reconcile the number of vacation hours used per the manager's calendar against the manager's compensated leave card. According to the Division of Fairs & Expositions Accounting Procedures Manual (APM) Section 3, Chapter 4.1, the Fair should maintain time cards for all employees to ensure compliance with labor laws related to overtime and paid leaves. The time cards must be reviewed and signed by a supervisor or board member, and time cards should show hours worked and leave taken.

#### *Recommendation*

- 3. The Fair should comply with APM and require all permanent employees to complete a STD 634 that shows time worked and paid leave taken with the appropriate supervisor approval.*

**DISTRICT AGRICULTURAL ASSOCIATION'S RESPONSE**



## Mission

*In cooperation with the California agriculture industry and educational institutions, we provide primarily elementary and secondary school teachers and students an understanding of and appreciation for the role of agriculture and nutrition in an urban and suburban society.*

# SCHOOLS' AGRICULTURE AND NUTRITION PROGRAM

State of California • 48th District Agricultural Association

November 5 2009

Mr. Ron Shackerford, CPA  
Audit Chief  
State of California  
Department of Food and Agriculture  
1220 N Street, Room 344  
Sacramento, CA 95814

Dear Mr. Shackelford:

The following is the 48<sup>th</sup> District Agricultural Association's response to the preliminary draft of the Management Report #09-046 for the year ending December 31, 2008. We are in acceptance of all your recommendations and will implement them as described below.

### Recommendation #1 page 3

The Fair should ensure it takes the necessary steps to annually renew and obtain a delegated purchase authority from the Department of General Services. Without an approved delegated purchase authority the Fair is restricted to making purchases less than \$100.

### *How recommendation will be implemented:*

DGS approved Delegated Purchase Authority for the Fair on October 2, 2008. The Fair is in compliance with purchasing regulations and will refrain from making purchases over \$100 without proper documentation.

Additionally, the Fair has renewed the Delegated Purchase Authority for 2009 and been approved by DGS.

### Recommendation #2 page

As the Fair reapplies for delegated purchase authority, the Fair must establish a system that meets DGS requirements for proper internal controls over purchasing. Per DGS guidelines as outlined by the APM, the Fair should track its purchases on a detailed log and prepare Standard 65 purchase orders for all purchases greater than \$100.

### *How recommendation will be implemented:*

The fair has established a system that meets DGS requirements for proper internal controls over purchasing. The Fair will track purchases on a

Located on the campus of  
Mt. San Antonio College

detailed log and prepare Standard 65 purchase orders for all purchases greater than \$100.

Recommendation #3 on page 3

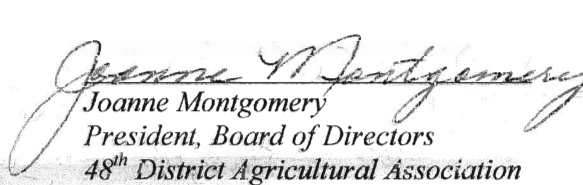
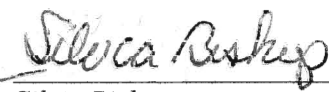
The Fair should comply with APM and require all permanent employees to complete a STD 634 that shows time worked and paid leave taken with the appropriate supervisor approval.

*How Recommendation will be implemented:*

The Fair will comply immediately with APM and require all permanent employees to complete a STD 634 that shows time worked and paid leave taken with the appropriate supervisor approval.

We appreciate your comments and recommendations. If you have any questions, please contact us.

Sincerely,

	
Joanne Montgomery	Silvia Bishop
President, Board of Directors	Chief Executive Officer
48 <sup>th</sup> District Agricultural Association	48 <sup>th</sup> District Agricultural Association

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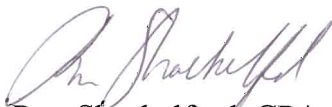
### **CDFA EVALUATION OF RESPONSE**

A draft copy of this report was forwarded to the management of the 48th DAA, Schools' Agriculture and Nutrition Program, for its review and response. We have reviewed the response and it addresses the findings contained in this report.

### DISPOSITION OF AUDIT RESULTS

The findings in this management report are based on fieldwork that my staff performed between August 3, 2009 and August 13, 2009. My staff met with management on August 13, 2009 to discuss the findings and recommendations, as well as other issues.

This report is intended for the information of the Board of Directors, management, and the Division of Fairs and Expositions. However, this report is a matter of public record and its distribution is not limited.



Ron Shackelford, CPA  
Chief, Audit Office

August 13, 2009

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